

WEEKLY CURRENCY REPORT



Date Issued | 1st June, 2020



GLOBAL FX MARKET

USD: The dollar edged lower against the euro and the pound on Friday as traders' focus shifted to U.S. President Donald Trump's response to China's passage of a national security law for Hong Kong. The greenback was on course for a weekly loss against major currencies as progress in lifting coronavirus lockdowns and stimulus plans in Europe weakened demand for safe havens. The dollar dropped by 1.44% and 2.08% against the pound and the euro respectively. We expect the dollar to remain under minimal pressure as concerns about the U.S.-China relationship could quickly worsen if Sino-U.S. tensions increase.

GBP: The pound rose against a weaker dollar on Friday, but changed slightly against the euro, as Brexit-related risks and speculation about negative interest rates continue to limit the pound's gains. Brexit talks about a trade deal with the European Union have not gone well, with the clock ticking on a transition period that runs out at the end of the year. The pound edged up by 1.46% against the dollar while it declined by 0.68% against the euro. We therefore expect the pound to remain steady as the Prime Minister, Boris Johnson, said on Thursday (28/05/2020) that Britain's coronavirus lockdown would be eased this week and also with traders fearful that tensions between U.S. President Donald Trump and China could escalate.

EUR: The Euro edged up against the dollar and the pound on Friday as the common currency continued to enjoy a boost from the European Union's recently announced plan to prop up the bloc's coronavirus-hit economies with a 750 billion-euro (673 billion pounds) recovery fund. The euro advanced by 2.13% and 0.59% against the dollar and the pound respectively. In the week ahead, we expect the euro to continue to be driven by optimism generated by the European Commission's stimulus plan announced earlier last week, as well as investors' improved appetite for risk-taking as global economies gradually move to reopen after coronavirus-linked shutdowns.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.62 USD1; GHS: 6.92 GBP1; GHS: 6.24 EUR1

- In the just ended week, the Ghana cedi depreciated for the second consecutive week against all tracked currencies in our basket. The cedi weakened against the dollar by 0.09%. Against the pound and the Euro, it dipped by 1.11% and 2% respectively.

- Investors took optimism from signs that some economies may be through the worst of the coronavirus downturn hence moving most of their investments into foreign notes.

- The local unit was little moved by the periodic intervention of the Central bank's regulation and FX auction strategy.

- The cedi is being held down by several factors: increasing numbers of Covid19 cases, speculation about opening of borders, a deep recession and a growing pile of debt.

- Traders demanding for FX to brace against possible new tariffs or sanctions due to U.S.-China tensions weighed on the cedi.

- Drop in foreign remittances due to decline in exports and proceeds from oil production could not provide much support for the cedi.

- Continuous improvement in oil prices as a result of cut in supply remain supportive to the local unit marginally

- In the week ahead, we expect the cedi to rebound with hopes of a strong economic recovery as lockdown restrictions have been eased.

SOUTH AFRICA: ZAR: 17.55 USD1; ZAR: 21.59 GBP1; ZAR: 19.49: EUR1

- In the week under review, the rand inched up against the dollar and the pound whereas it dipped against the euro. Against the dollar and the pound, the rand appreciated by 1.53% and 0.52% respectively. Against the euro, it declined by 0.24%.

- The South African rand firmed to its strongest in nearly nine weeks on Friday, with market sentiment boosted by optimism over recovering global growth as economies reopen after coronavirus lockdowns.

- The rand also benefited from a general improvement in sentiment towards riskier currencies, as investors looked to positive signs from China's post-coronavirus economic recovery and wagered on an easing in Chinese-U.S. tensions.

- South African President Cyril Ramaphosa on Sunday (24/05/2020) announced a further easing of the country's lockdown from June 1, allowing the vast majority of the economy to return to full capacity.

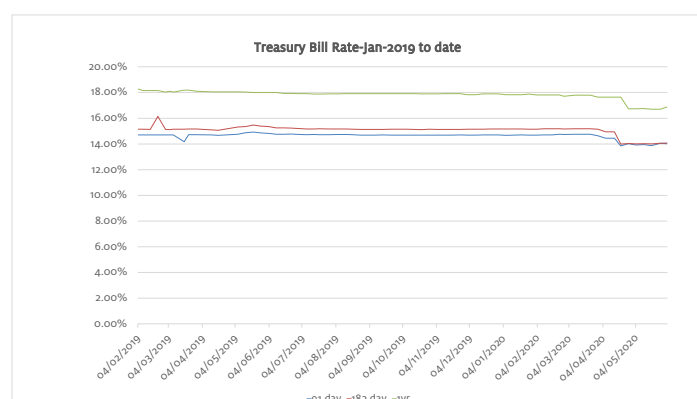
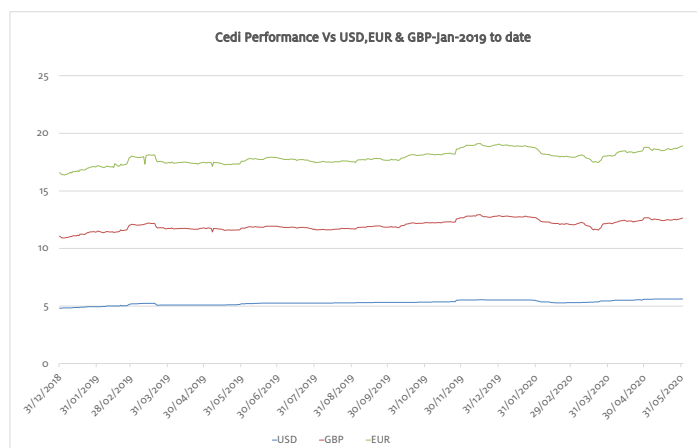
- We therefore expect the rand to remain stable in the week ahead.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2190	(0.53)	1.0904	(0.97)
Europe	0.9171	0.98	1.1165	0.93	1.0000	0.00
UK	0.8203	0.53	1.0000	0.00	0.8933	(0.12)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.6153	(0.05)	6.8417	(0.58)	6.1160	(0.75)
Nigeria	360.5000	0.00	438.9810	(0.16)	393.1250	(0.76)
Kenya	106.9690	0.06	130.7970	(0.34)	117.5490	(1.60)
BCEAO*	601.0000	0.83	732.0000	0.27	655.9600	0.00
S. Africa	17.8171	3.73	21.7048	3.17	19.4394	2.81

Sources: GCB Bank, Central bank website



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